

Section 2: Improving Financial Information

Managing for Results -- The Government Performance and Results Act (GPRA)

FY 1999 continued DOT's transition to managing for results. The Government Performance and Results Act (GPRA) of 1993, required agencies to create plans that identify their mission and strategic goals, set annual performance goals that are related to strategic goals, describe how goals will be achieved and the resources needed, and identify measures that will be used to gauge progress towards achieving goals. During this last year, DOT delivered its second Performance Plan. Work also began on updating the DOT 1997-2002 Strategic Plan and on writing the Department's first Performance Report for FY 1999, which is required by law in March 2000.

DOT's first GPRA Strategic Plan was delivered to Congress, as required by law, on September 30, 1997. A critical foundation piece for performance-based budgeting and management, the DOT Strategic Plan focuses resource allocation on five Department-wide strategic goals, each with measurable objectives. The completed plan reflects a cohesive, cross-modal vision for *what* the Department aims to accomplish (strategic goals) as well as *how* the Department aims to conduct its business (corporate management strategies). This plan aligns the efforts of the Operating Administrations and Departmental offices, and provides a framework for National Partnership for Reinventing Government (NPRG) initiatives. It also supports sound budgeting and financial management by integrating policy development and resource planning across modes well ahead of the budget process. The DOT

1997-2002 Strategic Plan was the culmination of over two years of work within DOT to re-tool management thinking and processes around the strategic outcomes. It was particularly gratifying in October 1997, to have the Congressional leadership judge DOT's Strategic Plan as the best in government. Consistent with the GPRA requirement to update strategic plans on a three year cycle, DOT's next Strategic Plan will be published in June 2000 for the fiscal years 2000–2005.

DOT Strategic Goals

Safety – Promote the public health and safety by working toward the elimination of transportation-related deaths, injuries and property damage.

Mobility – Shape America's future by ensuring a transportation system that is accessible, integrated, efficient, and offers flexibility of choices.

Economic Growth and Trade – Advance America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

Human and Natural Environment – Protect and enhance communities and the natural environment affected by transportation.

National Security – Advance the nation's vital security interest in support of national strategies such as the National Security Strategy and National Drug Control Strategy by ensuring that the transportation system is secure and available for defense mobility and that our borders are safe from illegal intrusion.

The second DOT Performance Plan was delivered to Congress with the Presidents Budget for FY 2000. Both the 1999 and 2000 Performance Plans were also judged by the Congressional leadership to be the best in government.

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The FY 2000 DOT Performance Plan serves as the comprehensive link between the program activities found in each Operating Administration budget and the Department's overall mission and strategic goals. Most critically, the Performance Plan presents performance measures which the Department will use to assess its progress in FY 2000 towards achieving its long range strategic goals. The plan organizes the presentation of these annual performance goals into five sections--one for each strategic goal area. Within these five DOT strategic goal areas, budget program activities are grouped together according to annual performance goals they support. In this manner a clear line can be drawn from the mission to the strategic goal, and finally to the performance goals, strategies, and requested resources.

The relationship between the performance plan's structure and the DOT budget is worth further discussion, since it gives insight into managing for results and financial accountability. The DOT Performance Plan is organized generally by major outcome areas, like aviation safety or transit mobility. The account and activity structure in the DOT budget varies by Operating Administration, but generally it is not organized by outcome area but rather by grouping similar kinds of activities or activities with a common funding mechanisms. Given the relationship between budgeted program activities and outcomes—multiple programs promote single outcomes and single programs promote multiple outcomes—perfect alignment between budget and outcomes was not possible. The Department's Performance Plan does make explicit links between performance outcomes and the Departments budget.

Closely related performance goals are grouped together, and the associated program activities and resources are shown. In some cases, all program activities within an account may be related to the same performance goals. More commonly, the program activities within an account aim at different goals, and sometimes individual program activities aim to affect multiple goals. But each account and each major program activity can be traced to at least one performance measure in the plan.

Where DOT has been challenged is in accounting for both the primary and secondary impacts of budget activities. Program activities typically influence more than one outcome area, and therefore often they are associated with multiple performance goals. For example, building a new highway may affect travel time, congestion costs, emissions and land use, safety, and even national security. At the same time, achieving these outcomes typically requires efforts across multiple program activities. For this reason, there will never be a clean, one-to-one relationship between funding and outcomes. The aggregated approach in the DOT Performance Plan reflects a reasonable compromise between completeness and clarity in this respect. It associates program activities and obligations with the primary purpose of the program, notes other programs which also contribute significantly to the same goals, and does not double-count resources.

DOT will certainly continue to reexamine this approach for its utility in the budget and management processes. We also plan a closer link between performance accounting and cost accounting, as we

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refine our processes. DOT is committed to more refined “managerial” cost accounting, and sees this as integral to improving the efficiency with which the Department manages for results. To this end, DOT is investing in improved financial systems, based on state of the art data systems, that will provide the flexibility to better associate dollars with activities, outputs, outcomes, and performance goals.

Financial Statements Progress

Working with New Formats and Standards

For DOT FY 1998 financial statements, DOT prepared the new financial statement formats required by OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*, as well as Technical Amendments to it which were issued on November 20, 1998. This was the first year of preparation and audit of these new financial statements formats, which are a significant change to the preparation and presentation of financial statements. While the Balance Sheet was retained, the Statement of Operations was replaced by the Statement of Net Cost and the Statement of Changes in Net Position. Two new financial statements, the Statement of Budgetary Resources and the Statement of Financing, were also required.

The Department also implemented new Federal Accounting Standards Advisory Board Statements of Federal Financial Accounting Standards (SFFASs). New SFFASs implemented this year included new standards in the areas of managerial cost accounting; property, plant and equipment (PP&E); revenue; and stewardship reporting. These standards

resulted in new challenges such as accounting for full costs, depreciation of all general PP&E, deferred maintenance, clean-up costs, and exchange vs. non-exchange revenues. These new standards have been implemented while making minimal changes to DAFIS, the Department’s current core accounting system, which is in the process of being replaced.

The new SFFAS for stewardship reporting changed the reporting for stewardship assets and initiated new reporting for stewardship investments. Stewardship assets, such as Heritage Assets and National Defense PP&E, were removed from the Balance Sheet and reported in a new Required Supplemental Stewardship Reporting section. This new section also includes reporting on costs considered to be stewardship investments, such as Non-Federal Physical Property, Human Capital, and Research and Development.

Results of FY 1998 Audited Financial Statements

The Highway Trust Fund financial statement covering approximately 60 percent of Department of Transportation (DOT) budgetary resources received an unqualified opinion on the Balance Sheet, the Statement of Net Cost, and the Statement of Changes in Net Position. The OIG was unable to express an opinion on the FAA Financial Statement, the DOT Consolidated Financial Statement, or the new Statement of Budgetary Resources and Statement of Financing of the Highway Trust Fund. There were continuing material weaknesses in both FAA and Coast Guard relating to the validation and valuation of PP&E and inventory and related property. New

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questions were also encountered as a result of auditing the new financial statement formats.

FAA and Coast Guard are addressing the asset management problems through the execution of detailed corrective action plans extending over multiple years and involving numerous offices. These are expected to be completed by the end of FY 1999 and validated by audit. Problems with the new financial statement formats will be addressed to the extent possible in the Department's current core accounting system and with the implementation of a new DAFIS Financial Statements Module II. However, complete resolution of some of the problems with the financial statement formats may have to await the full implementation of Delphi, the Department's commercial off-the-shelf core accounting system replacement, which is currently scheduled for June 2001.

In developing the FY 1998 statements, we focused attention on the underlying financial management system and its products during preparation and audit. In addition, emphasis for FY 1998 financial statements has been placed on correcting problems raised in previous audit findings and addressing recommendations, particularly those of material quality or significant magnitude. We are taking the corrective actions necessary to obtain unqualified opinions.

The DOT continues to work towards full compliance with the provisions of the

Federal Financial Management Improvement Act (FFMIA) of 1996. The Office of the Inspector General viewed DOT as not in substantial compliance with FFMIA for several reasons: (1) property, plant, equipment, and inventory amounts presented on the Balance Sheet were inaccurate and not supported by financial records, (2) DAFIS was not used for preparation of the Financial Statements, and (3) the cost accounting data needed to evaluate performance against performance goals and outcomes was not available. DOT is making steady progress toward full compliance with the FFMIA. Working with the OAs and the Office of the Inspector General we continue to make improvements in the timeliness and quality of our financial statements. An Action Plan for Clean Audits (Appendix B) was developed outlining steps to bring DOT into compliance with FFMIA.

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Financial Statement Progress

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u> ²	<u>FY 97</u>	<u>FY 98</u>
Financial Statements						
Prepared	9	9	8 ¹	4	4	4
Audited	5	9	8	4	4	4
Results of Audits						
Opinions: Unqualified	1	2	4	2	1	2 ³
Qualified	1	2	3	--	1	--
Disclaimed	3	5	1	2	2	2

¹ Only eight FY 1995 statements were prepared and audited because, in FY 1994, Washington Metropolitan Area Transit Authority refinanced its debt eliminating any federal liability and reporting responsibility.

² Coverage of DOT accounts changed from FY 1995 to FY 1996 with the Government Management Reform Act requirement that financial statements, beginning with FY 1996, be prepared and audited for all DOT activities instead of limiting coverage to trust, revolving, and commercial funds. Except for three stand-alone statements, the FY 1996 consolidated financial statement replaced most individual statements reducing the number of statements from eight to four.

³ The Highway Trust Fund received an unqualified opinion on three of five financial statements. The remaining two new statements received a disclaimer.

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Making Clear, Steady Progress

For FY 1998 DOT continued to do an excellent job of properly processing, adjusting, and reporting Highway Trust Fund transactions. The General Accounting Office (GAO) and the OIG worked with us to resolve problems encountered in prior years in regard to trust fund revenues and investments at the Department of the Treasury. This resulted in the Highway Trust Fund receiving an unqualified opinion on the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position.

DOT also made progress in the validation and valuation of plant, property and equipment; inventory and related property; and actuarial liabilities. Coast Guard corrected the material internal control weakness associated with its actuarial estimate of pension and related health care benefits for its military personnel. Coast Guard also verified the existence and acquisition value of its vessels and aircraft. Both the Coast Guard and FAA completed physical inventories at field facilities located throughout the country and implemented weighted average inventory pricing.

The Office of the Chief Financial Officer, the DOT Operating Administrations, and the OIG worked together to ensure that the FY 1998 audited financial statement process was a top priority. Our offices continue to learn new lessons from the preparation and audit processes, while Departmental financial and program managers benefit from the insights and issues raised. Lessons learned from previous years have enabled DOT to continue to make improvements in the timeliness and quality of our financial statements.

Taking Action to Obtain Unqualified Audit Opinions

We are taking active measures to work toward obtaining unqualified audit opinions on our financial statements. Thus, we have created an action plan which will facilitate our ability to resolve deficiencies and help us to achieve our objectives. Our plan focuses on reviewing open audit findings, the FY 1999 audit program, and system improvements. Refer to Appendix B for an outline of the issues, solution and comments associated with how DOT is moving toward a clean audit opinion.

Making Financial Information More Useful

Executive Reporting Framework (ERF)

The DOT Executive Reporting Framework (ERF) was developed under the sponsorship of the CFO to bring together financial, program, and performance data and information in a way that can be used by policy officials, senior executives, and program managers to help them perform their jobs more effectively. It is designed to give complete, consistent, reliable, and timely information and provide an environment that fosters cross-cutting identification, analysis, discussion and resolution of issues. ERF accesses data from departmental financial systems and from financial and programmatic systems in use by the various OAs. It was developed using off-the-shelf software which supports analytical needs and has drill down analysis and flexible reporting capabilities.

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DAFIS Management Information Reporting (MIR)

The DAFIS MIR Data Warehouse continues to be the main source of *day-to-day* financial management information for the Department. A warehouse of financial data from 1995 to the present, the MIR database is updated daily through an overnight process which provides the user with virtually the most current and accurate data for input into commercially available desktop management tools such as spreadsheets and graphic packages. Programs are now in place to automate fully the download process from core DAFIS, which will eliminate the need for manual intervention and make the updated data available to the user even more timely.

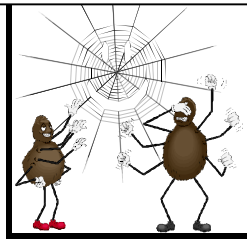
Facts and Figures Quick (FAFQ), a windows based, user friendly, graphical software, has been adopted as the DOT standard front-end enhancement for MIR. This program was developed and designed to provide program managers and others, unfamiliar with formal Federal accounting and budgeting, quick and easy access to frequently used financial information. During 1998 FAFQ was enhanced to include a unique user ID “sign on” which give users access to the MIR database without having to sign on to core DAFIS. Other enhancements included additional DAFIS inquiries and data elements that were made available to users. An updated software version of FAFQ, which gives additional views and other refinements, has been implemented. In the near future, FAFQ will be web-enabled which will eliminate the need to have the software at the clients’ workstation. FAFQ presently has approximately 808 users throughout

the Department, up from 260 users in FY 1998.

DAFIS Financial Statements Module

DOT's contract with User Technology Associates produced a Y2K compliant DAFIS Financial Statements Module, which automates the preparation of an Adjusted Trial Balance Report with an accompanying Audit Transaction Report. The Module provides an efficient means of preparing financial statements to ensure the accuracy and integrity of data. The Module will also produce Treasury SF-133 and SF-2108 reports and CFO Financial Statements. In addition, the Module will allow users to download data from an FTP site, generate an output to a spreadsheet (Excel), and transmit to FACTS II.

<http://ostpxweb.dot.gov/budget>



**Click Here
for Financial Information**

DOT's CFO Web Page on the Internet serves as a powerful tool of information technology by providing a one-stop source of reference information for DOT's financial managers and other clients. Users no longer need to spend time researching libraries, government financial manuals, and other office files to find the information they need to do their daily work. The site promotes efficient distribution of reports and documents and

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increases communication between headquarters and field offices. Individual section tags such as Reports, Budget, Travel, and Systems enable users to quickly find their areas of interest. DOT's Financial Management Directives, Consolidated Financial Statements Reports, FMFIA Reports, travel guidelines for employees, DOT's Annual Budgets, systems development information on accounting, payroll, travel management and information reporting systems, and much more are only a mouse click away.



The CFO Web Page also has hyperlinks to many valuable external financial resources such as OMB, Treasury, GSA, and other central agency policy directives and requirements, status of legislative actions, and several other government financial reference sources and organizational activities.

CFO staff maintain the Web site themselves allowing prompt updates and revisions. During FY 1999, enhancements were made to permit quicker and easier access to all users, including users with the lowest common denominator Web browsers. Internally, the CFO office also utilizes DOT's Intranet for information

sharing within the DOT financial management community.

Upcoming features planned for the CFO site include a web counter application to identify readers' areas of interest and usage trends, push technology to automatically alert the DOT financial management community of additions and revisions to our site as they occur, and a registration form to obtain feedback from users. To read more about our activities and our organization, visit us at

<http://ostpxweb.dot.gov/budget>.

Links to:

- FinanceNet
- OMB Circulars
- Treasury Financial Manual
- Thomas Legislative Tracking
- Federal Travel Regulations
- BudgetNet
- Fed World